



November 2, 2007

Jody Harris
Maine State Planning Office
38 State House Station
184 State Street
Augusta, Maine 04333

Qualifications for Preparers of Comprehensive Economic Impact Studies

Dear Ms. Harris:

I am pleased to submit my statement of qualifications for preparing comprehensive economic impact studies for proposed retail developments over 75,000 square feet in size, in accordance with the Maine Informed Growth Act.

I have been involved in the issue of large-scale retail development in various roles for almost two decades. As the long-time director of the National Trust for Historic Preservation's National Main Street Center, I have observed the long-term positive and negative impacts of large-scale retail development on local economies and, in particular, on existing commercial centers, and I have prepared impact analyses and submitted expert testimony in several landmark cases involving proposed big-box store development. As a Loeb Fellow at Harvard University, I have conducted research on some of the less obvious economic impacts of large-scale retail stores, such as the gradual impact of shifting existing commercial centers from community-serving businesses to "destination" businesses. As a professional market analyst, I have measured the potential economic and fiscal impacts of large-scale commercial development, and other types of development, on local economies.

I have consistently found that community residents are usually in agreement about the need for good jobs, fair prices, and an economically vibrant community – but often disagree about the retail development options that exist for meeting these

The Community Land Use + Economics Group, LLC
PO Box 2345
Arlington, Virginia 22202-0345
202 236 1232 P
202 318 4605 F
www.cluegroup.com

needs. It is my hope that, by providing residents of Maine's communities with objective assessments of the potential economic and fiscal impacts of large-scale retail development, they might be better prepared to make these important development decisions.

A. Name, address, phone number, and email address

Kennedy Smith, principal
The Community Land Use and Economics Group, LLC
PO Box 2345
Arlington, Virginia 22202-0345

202 657 5232 office
202 236 1232 mobile
202 318 4605 fax

kennedy@cluegroup.com
www.cluegroup.com

B. A description of the applicant's educational background

I received my undergraduate degree from Bryn Mawr College in The Growth and Structure of Cities, a multidisciplinary program in urban economics and urban history. I went to the University of Virginia for graduate study in architecture and historic preservation. In 2005-2006, I was a Loeb Fellow at the Harvard University's Graduate School of Design, where I conducted specialized research in retail market analysis.

I currently teach a graduate-level class in historic preservation economics at Goucher College, and in 2008 I will begin teaching a class in downtown development economics at Harvard University's Graduate School of Design. I have been a guest lecturer in retail market analysis and community development economics in a number of colleges and universities, including:

Bryn Mawr College
Catholic University School of Architecture
Delaware State University
Harvard University
Michigan State University
Savannah College of Art and Design

University of Maryland
University of New Hampshire
University of North Carolina/Chapel Hill
University of Pennsylvania School of Architecture
University of Virginia School of Architecture
Western Illinois University

I have also conducted training programs in community economic development for most US state departments of economic development. I created and have served as an instructor for the Main Street Certification Institute in Professional Downtown Management and have participated as a resource team member in a number of Mayors' Institutes in City Design and Governor's Institutes in Community Development.

C. A description of the applicant's experience and training in assessing the potential impacts of large-scale retail establishment, including the number of years the applicant has performed work related to analyzing economic impacts.

I have been involved in retail market analysis and in analyzing economic impacts of new commercial construction and of rehabilitation of existing commercial centers since 1984.

Early in my career, I served as the director of a downtown merchants' association in Charlottesville, Virginia. Downtown revitalization and downtown economic development were relatively new then, and no retail market analysis methodology existed for measuring economic activity in historic, older and traditional downtowns and neighborhood commercial corridors; the methodology that existed, and that was being incorrectly applied to downtowns, had been created for regional retail development. I created a market analysis methodology specifically for historic and older downtowns and neighborhood commercial centers; this methodology has now been used in hundreds of towns and cities throughout the United States.

I was hired by the National Trust for Historic Preservation's National Main Street Center in 1985 and spent several years training community leaders in retail market analysis, then became the Center's director in 1991. As its director, I continued to examine the economics of older downtowns and the economic impacts of emerging big-box retail stores on local and regional economies. I conducted economic impact analyses and provided expert testimony on behalf of the National Trust in a number of key big-box debates over the past 15 years, including those in St. Albans,

Vermont; North Elba, New York; Northfield, Minnesota; and the ten-year debate in Chestertown, Maryland.

I left the National Trust in 2004 to launch the Community Land Use and Economics Group, a small consulting firm specializing in helping community leaders create economically vibrant commercial districts. The primary focus of our firm is economic development planning for older and traditional commercial centers. My partner and I conduct retail market analyses and economic impact studies, create business development and economic development strategies, and provide a number of related economic planning services.

I have also written extensively about retail market analysis, measuring economic impact, and the impact of large-scale retail development.

D. Examples of three previous research projects completed by the applicant that demonstrate the applicant's ability to assess the potential impacts of a large-scale retail establishment.

Chestertown, Maryland: While serving as the director of the National Trust for Historic Preservation's National Main Street Center, I participated in a ten-year legal battle between a citizens' group, a developer interested in developing a commercial center to be anchored by Wal-Mart, and Kent County, Maryland. The citizens' group ultimately prevailed, and permits for the proposed development were not issued.

St. Albans, Vermont: While serving as the director of the National Main Street Center, I estimated the economic impact of a proposed Wal-Mart store in St. Alban's, Vermont and provided expert testimony in the State of Vermont's A.B 250 hearings on this proposed development. The plaintiffs prevailed, and permits for the proposed development were not issued (the community is now evaluating a new big-box development proposal).

Moscow, Idaho: As a principal with the Community Land Use and Economics Group, I conducted a retail demand analysis for a citizens' group in Moscow, Idaho. While not facing a specific development proposal, the citizens' group wanted to be prepared for potential proposals by having a good understanding of how much market demand existed in the community and region that was not being fulfilled by area retailers.

I have also taken the lead in a number of other projects assessing the economic impact of large-scale developments that are not exclusively retail in focus. For example, in the early 2000s I conducted a multi-year study of the economic impact

of federal facilities on central business districts for the US General Services Administration, and I served as the project manager for an extensive study for the US Army on recapitalizing the Army's 12,000 historic properties.

E. A description of the consultant's understanding of some of the costs and benefits of large-scale retail development.

Large-scale retail development usually generates significant new property tax revenue for local government and new retail sales tax revenue (and, in some states, use tax revenue) for state governments (which, in turn, is usually partially reapportioned to local governments). There are usually other benefits, as well – indirect and induced benefits resulting from purchases and procurements from local and in-state suppliers, from purchases made by employees of the big-box retailers, and from utility collections, charitable contributions, and other ancillary activities.

Costs to the community generally include costs associated with extension of municipal infrastructure; provision of public services; displacement of sales and related tax revenues from existing businesses and commercial centers; and, in some instances, costs related to providing additional public, educational and social services.

Some communities charge development impact fees; others offer subsidies and incentives (such as TIF revenue, property tax abatement, and tax credits), to developers of certain types of commercial projects. These charges and incentives also factor into economic and fiscal impact analyses.

There are often long-term costs associated with the development of large-scale retail venues, also. For instance, a large-scale retail store sometimes displaces a significant volume of the sales of community-serving goods and services provided by businesses existing at the time the large-scale store, making it necessary for those businesses (and new businesses the community might seek to develop in existing commercial centers) to shift their focus partly or wholly to providing specialty goods and services to customers within a larger region. There are both public- and private-sector costs associated with this shift over the years the shift occurs, from costs associated with remerchandising to costs associated with strained parking and transportation infrastructure. There are other potential long-term costs, as well, such as the costs of potential environmental mitigation associated with large-scale development. I have found that these long-term costs are often omitted from economic and fiscal impact studies, perhaps because they rely on long-term data and are therefore more difficult to measure.

F. A description of the methodology the consultant will use to perform the analysis.

The specific methodology we would use would be customized to fit the specific circumstances of each community and proposed development. But, in general terms, it is likely that each analysis would include, at a minimum:

- A “sales void” analysis of unmet retail market demand now and, based on population growth projections, over the next decade in the community and in nearby communities likely to fall within the proposed large-scale store’s market catchment area. We would rely on some national data and national surveys for this analysis (particularly the US Bureau of Labor Statistics’ *Consumer Expenditure Survey*, which provides diary- and interview-based data on actual consumer spending, based on demographic characteristics, and on the US Census Bureau’s *Census of Population and Economic Census*), as well as on state retail sales tax data, population projections, and surveys we would conduct of area businesses.
- An inventory of existing businesses in the community and an analysis of the products each business currently provides, the price points at which it sells products and services, and its sales performance, relative to similar businesses within the region. We would draw on both custom data we assemble, on national data sources (such as Polk City Directories), and on retail sales data to create this inventory and analysis.
- An analysis of the gross sales likely to be generated by the proposed store, by major category, based on the actual performance of comparable stores in demographically and economically comparable communities.
- An analysis of the amount of unmet market demand that could be realistically absorbed by existing retail businesses in the community and in the market catchment area.
- An inventory of any development incentives being offered by any public-sector entity to the developer of the proposed large-scale store and of any development fees being paid by the developer.
- An analysis of the likely impact of the proposed store on overall retail sales and on retail sales, by category and district, in the community and in the affected catchment area. This analysis would be based on primarily our analysis of unmet market demand, our inventory of existing businesses, and retail sales tax data.

- An analysis of the likely impact on employment and wage/benefit compensation of the proposed store on the community and in the affected catchment area, based on the actual performance of comparable stores.
- An analysis of direct, indirect, and induced economic and fiscal benefits from and costs associated with the potential development of the large-scale retail store.

G. A description of key data and the sources for the data necessary to identify the potential costs and benefits of a large-scale retail establishment.

Among the data sources on which we routinely rely when conducting economic and fiscal impact analyses:

- Data from the US Bureau of Labor Statistics, particularly data on consumer expenditures (the *Consumer Expenditure Survey*), the Consumer Price Index, wage data (national, regional and state), and labor force statistics (*Quarterly Census of Employment and Wages*).
- Data from the US Census Bureau, particularly the *Census of Population, American Housing Survey, Economic Census (Census of Retail Trade; Census of Accommodation and Food Services; Census of Information; etc.)*, and *American Community Survey*.
- Business inventory data, both from national sources (primarily Polk City Directories) and from our own surveys and on-site censuses.
- Data on typical sales per square foot for various types of retail businesses. Depending on type of retail business and type of commercial center, we sometimes use data from the Urban Land Institute's *Dollars and Cents of Shopping Centers* for this. We have also built a proprietary database of sales data from independently owned retail businesses throughout the United States, based on surveys we have conducted over the past two years, and draw information from this database when applicable.
- Annual reports from the large-scale retailer or retailers whose proposed developments are being evaluated, and data about their recent and longitudinal performance in demographically and economically comparable communities (from our proprietary databases and from public records).

- Data from local government on sources and uses of municipal revenues, including real property tax rates, business license fees, development impact fees, etc., and on the costs of providing municipal services.
- Data from local government on new business starts and business closings.
- Data from recent comprehensive plans, economic impact studies, economic development strategies, retail market analyses that might have been prepared for the community or communities in its retail catchment area.
- We sometimes use demographic and retail sales data from third-party data service providers (such as ESRI's "Retail Marketplace" and Claritas's "Retail Market Power" data) as points of comparison with data from primary and secondary sources (such as the *Census* and state retail sales tax reports) – but we find that, because of the nature of the algorithms these data providers use to project demographic and retail sales estimates, this data is not as accurate in small towns, rural areas, and communities with relatively few retail businesses as it is in urbanized areas and in communities with dense retail development.

H. A description of the methodology the consultant will use to determine the comprehensive economic impact area to be studied.

We use several different methods to estimate market catchment areas, comparing the outcomes of each:

- We map the locations and estimated sales of existing retail centers within approximately a 30-mile radius of the community (sometimes a larger radius, depending on population density).
- We identify existing large-scale retail stores within a 60-mile radius and, based on each specific retailer's sales patterns in comparable regions in other parts of the United States, we estimate what the *likely* catchment area might be.
- We include questions in our surveys of existing businesses to help identify the catchment area from which the community and each of its commercial centers currently attract customers (and for which products).
- While we rarely use retail gravity models for downtown retail market analyses, we do use them as one of our data points for large-scale retail development (roughly translated for economic impact analyses, Reilly's retail gravity model

posits that, all things being equal, customers will go to the closest and largest store).

I. A description of how the economic impact analysis will consider the goals, policies, and strategies of the community comprehensive land use plans in the region to be studied.

It is critical that community economic development plans – including plans for commercial development – be synchronized with and supportive of community and regional comprehensive plans. Comprehensive plans describe community residents' common vision of how their community should grow, of the job and business development opportunities it should provide, of the services they need, and of the values they share. Each community's goals are different from those of all other communities, and each community's economic development plans must therefore be tailored to reflect its goals.

While not the central focus of an economic or fiscal impact analysis for a particular type of proposed commercial development, we typically provide a cursory analysis of how effective a community's planning and land use laws and policies are likely to be in helping it realize its overall economic development goals.

J. A minimum of three references who are familiar with the applicant's work on similar type projects.

Constance Beaumont, Transportation and Growth Management Outreach Coordinator
Oregon Department of Land Conservation and Development
635 Capitol St. NE, Suite 150
Salem, Oregon 97301-2540
503-373-0050 x277
constance.beaumont@state.or.us

Paul Bruhn, Director
The Preservation Trust of Vermont
104 Church Street
Burlington, Vermont 05401
(802) 658-6647
paul@ptvermont.org

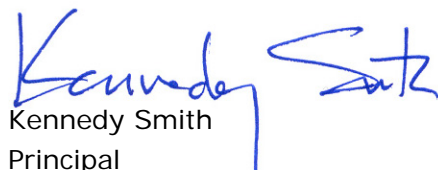
Philip Hoon, Esq.
Hoon and Associates, LLC

104 South Cross Street
Chestertown, Maryland 21620
(410) 778-6600
pwhesq@dmv.com

Retail market data and retail market analysis, as a discipline, have undergone significant changes in recent years, and will continue to do so for the foreseeable future. Internet-based commerce is changing retail distribution patterns, for example, making it more challenging to trace retail sales. And, to remain competitive, certain types of stores have significantly diversified the types of products and services they offer; less than 60 percent of the merchandise sold in grocery stores in the United States in 2005 was actually "groceries", for instance. This means that, to conduct accurate retail sales void analyses, market analysts must be very familiar with detailed data sets, emerging retail trends, and methods of selecting and using data to meet the needs of communities whose economies are in transition. We have been tracking retail trends, particularly for small and rural communities, and conducting research on changes in retail sales patterns, data sets, and analytic tools for two decades, and feel confident that we would offer Maine communities evaluating proposals for large-scale retail development the most current and comprehensive decision-making data possible.

Please feel free to contact me if you need additional information.

With regards,



Kennedy Smith
Principal